

**CITY OF HOPKINTON**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2013**

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## CITY OF HOPKINTON

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Cathy Harris	Mayor	Jan. 2014
D.J. Hucker	Mayor Pro tem	Jan. 2016
Sarah Helle	Council Member	Jan. 2014
Robert Ristow	Council Member	Jan. 2014
Lloyd Collmann	Council Member	Jan. 2016
Robert Porter	Council Member	Jan. 2016
Amy Ries	Clerk	Indefinite
William Blum	Attorney	Resigned Sept. 10, 2012
James Peters	Attorney	Indefinite

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

**STEVEN S. CLAUSEN, CPA**

124A Main • P.O. Box 359

Elkader, Iowa 52043

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activity, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hopkinton, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing the audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by activity of the cash basis net position and by fund of the cash balances at July 1, 2012.

#### Qualified Opinions

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activity, each major fund and the aggregate remaining fund information of the City of Hopkinton as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

#### Unqualified Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the discretely presented component unit of the City of Hopkinton as of June 30, 2013, and the change in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

#### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

#### Other Matters

#### *Supplementary and other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hopkinton's basic financial statements. The

supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinions" paragraph as it relates to Schedule 1, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

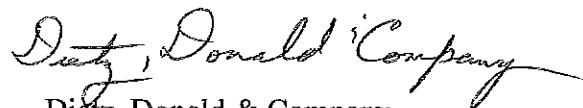
The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 - 14 and 29 through 30, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2013 on our consideration of the City of Hopkinton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Hopkinton's internal control over financial reporting and compliance.

Elkader, Iowa

August 16, 2013

  
Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

*City of Hopkinton*  
*115 First St SE*  
*PO Box 154*  
*Hopkinton, IA 52237-0154*  
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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hopkinton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

Since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data have been provided if available.

**2013 FINANCIAL HIGHLIGHTS**

- The cash basis net position for the governmental activities decreased \$ 30,673 or 22.5% to \$ 105,558 for the fiscal year ended June 30, 2013, due primarily to disbursements related to the 2010 flood recovery.
- The cash basis net position for the business type activity increased \$ 5,214 or 3.5% to \$ 156,262 from June 30, 2012 to June 30, 2013.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *The City's Reporting Entity Presentation*

This annual report includes all activities for which the City of Hopkinton's City Council is fiscally responsible. These activities, defined as the City's reporting entity, are operated within a separate legal entity that is the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entity:

The City of Hopkinton.

The component unit presentation includes the following legal entity:

Hopkinton Municipal Utilities.

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Statement of Activities and Net Position presents the City's net position. Over time, increases and decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.



The Statement of Activities and Net Position is divided into three kinds of activities:

1. Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
2. Business Type Activity includes the sanitary sewer system. This activity is financed primarily by user charges.
3. Component Unit Activities include the Municipal Utility. Although the Municipal Utility is a separate legal entity, the City includes its activities since the City is financially accountable for the Utility.

#### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include [a] the General Fund, [b] the Special Revenue Funds such as Road Use Tax and Emergency Management, [c] the Debt Service Fund, [d] the Capital Projects Fund and [e] the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2. Proprietary funds account for the City's Enterprise Fund. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide separate information for the Sewer Fund, considered to be a major fund of the City.

The required financial statement for the proprietary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$ 136,231 to \$ 105,558. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities  
(Expressed in Thousands)

	<u>Year Ended</u> <u>June 30, 2013</u>
Receipts:	
Program receipts:	
Charges for service	\$ 115
Operating grants and contributions	96
Capital grants and contributions	41
General Receipts:	
Property tax	179
Local option sales tax	55
Unrestricted interest on investments	1
Bond proceeds	610
Other general receipts	<u>15</u>
Total receipts	<u>1,112</u>
Disbursements:	
Public safety	409
Public works	124
Culture and recreation	121
Community and economic development	1
General government	60
Debt service	162
Capital projects	<u>116</u>
Total disbursements	<u>993</u>
Change in cash basis net position before transfers	119
Transfers, net	<u>(149)</u>
Change in cash basis net position	(30)
Cash basis net position beginning of year	<u>136</u>
Cash basis net position end of year	<u>\$ 106</u>

The cash basis net position for the City's governmental activities decreased approximately \$ 30,000, due primarily to spending on the 2010 flood recovery.

The cost of all governmental activities was approximately \$ 993,000. However, as shown in the Statement of Activities and Net Position on page 16, the amount taxpayers ultimately financed for these activities was approximately \$ 741,000 because some of the cost was paid by those directly benefited from the programs (approximately \$ 115,000) or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$ 137,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$ 234,000 of taxes (some of which could only be used for certain programs) and with other receipts, such as interest and bond proceeds.

Changes in Cash Basis Net Position of Business Type Activity  
(Expressed in Thousands)

	Year Ended <u>June 30, 2013</u>
Receipts	
Program receipts:	
Charges for service:	
Sewer	\$       183
Disbursements:	
Sewer	<u>327</u>
Change in cash basis net position before transfers	(144)
Transfers, net	<u>149</u>
Change in cash basis net position	5
Cash basis net position beginning of year	<u>151</u>
Cash basis net position end of year	\$ <u>156</u>

The cash basis net position of the business type activity increased from a year ago, from approximately \$ 151,000 to approximately \$ 156,000.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Hopkinton completed the year, its governmental funds reported a combined fund balance of \$ 105,558, a decrease of \$ 30,673 from last year's total of \$ 136,231. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 56,722 from the prior year to \$ 273,263. Approximately \$ 52,000 was due to receiving a transfer from the Special Revenue, Local Option Sales Tax Fund.

The Special Revenue, Road Use Tax Fund cash balance increased \$ 1014 to \$ 23,067.

The Special Revenue, Emergency Management Fund, balance decreased \$ 24,433 to a deficit balance of \$ 12,994. The City is using this fund to account for costs pertaining to repairs of damage sustained by the waste water treatment plant in the 2010 flood. The deficit balance will be eliminated with either additional grant proceeds or transfers from the Enterprise, Sewer Fund.

The Debt Service Fund balance increased \$ 6,105 to a deficit balance of \$ 143,103. This increase was due to an increase in property tax.

The Capital Projects Fund balance decreased \$ 74,193 to a deficit balance of \$ 43,651. This fund reports the receipts and disbursements pertaining to buy out of property owners approved by FEMA after the 2010 flood. The deficit balance will be eliminated upon receipt of grant proceeds from FEMA.

The Permanent Cemetery Perpetual Care Fund cash balance increased \$ 775 to \$ 40,781.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Enterprise Sewer Fund cash balance increased \$ 5,214 to \$ 156,292, Operating revenues exceeded operating disbursements by \$ 51,107, which were used for debt service.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year the City amended its budget once. The amendment was approved on May 13, 2013 and resulted in an increase in operating disbursements of approximately \$ 770,000 related to refinancing the October 21, 2004 notes and replacing the temporary financing related to the repairs on the wastewater treatment plant.

The City's receipts were \$ 319,035 less than budgeted. This was primarily due to Municipal Utility receipts being down approximately \$ 86,000, grant receipts being approximately \$ 130,000 less than anticipated and miscellaneous receipts being approximately \$ 110,000 less than anticipated because the pool fund raiser did not start until fiscal 2014.

Total disbursements were \$ 250,473 less than budgeted, however, the City exceeded the amount budgeted in the debt service function for the year ended June 30, 2013 by \$ 3,936 due to the issuers discount on the 2013 general obligation bond issue.

## DEBT ADMINISTRATION

At June 30, 2013, the City had \$ 550,000 of bonds and other long-term debt outstanding compared to \$ 613,949 last year, as shown below.

	<u>Outstanding Debt at Year-End</u> (Expressed in Thousands)	
	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 550	-
General obligation notes	-	463
General obligation loan	-	10
Revenue notes	-	140
Total	<u>\$ 550</u>	<u>613</u>

The City issued general obligation bonds in September, 2012 to refinance existing debt. The defeasance should save the City approximately \$ 24,000.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 550,000 is less than its constitutional debt limit of nearly \$ 1.1 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Hopkinton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees that will be charged for various City activities. The City's population was 628 in 2010 compared to 681 in 2000 and 800 in 1970. The downward trend is expected to continue. Property valuations increased approximately \$ 161,000 or 1.3%.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$ 1.5 million, a decrease of 38.6% from the amended fiscal 2013 budget. Budgeted disbursements are expected to decrease by approximately \$ 970,000. The City has budgeted approximately \$ 180,000 for swimming pool improvements in its fiscal year 2014 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$ 15,000 by the close of fiscal year 2014.

## **CONTACTING THE CITY'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Amy Ries, City Clerk; 115 First Street SE; Hopkinton, Iowa 52237-0154.

## **BASIC FINANCIAL STATEMENTS**

Exhibit A

CITY OF HOPKINTON  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
As of and for the Year Ended June 30, 2013

Functions/Programs: Primary government:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Public safety	\$ 409,561	41,708	32,786	-	(335,067)
Public works	123,732	35,930	60,141	-	(27,641)
Culture and recreation	121,259	34,184	1,387	-	(85,688)
Community and economic development	1,144	60	1,675	-	591
General government	59,704	2,638	-	-	(57,066)
Debt service	161,670	-	-	-	(161,670)
Capital projects	115,602	-	-	40,956	(74,646)
Total governmental activities	992,672	114,540	95,989	40,956	(741,187)
Business type activities:					
Sewer	326,858	182,771	-	-	(144,087)
Total primary government	\$ 1,319,530	297,311	95,989	40,956	(741,187)
Component unit:					
Municipal Utilities	\$ 986,584	930,324	-	-	(95,260)
General Receipts and Transfers:					
Property and other city tax levied for:					
General purposes					
Debt service					
Local option sales tax					
Unrestricted interest on investments					
Bond proceeds					
Miscellaneous					
Transfers					
Total general receipts and transfers					
Change in cash basis net position					
Cash basis net position beginning of year					
Cash basis net position end of year					
Cash Basis Net Position:					
Restricted:					
Nonexpendable:					
Emergency perpetual care					
Minor deposits					
Expendable:					
Streets					
Library					
Other purposes					
Unrestricted					
Total cash basis net position					

See notes to financial statements



Exhibit B

CITY OF HOPKINTON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2013

	Special Revenue				Permanent		
	General	Road Use Tax	Emergency Management	Debt Service	Capital Projects	Cemetery Perpetual Care	Nonmajor Total
Receipts:							
Property tax	\$ 121,332	-	-	24,836	-	-	32,497 178,565
Other city tax	-	-	-	-	-	-	55,372 55,372
Licenses and permits	2,638	-	-	-	-	-	- 2,638
Use of money and property	5,520	-	-	-	40,956	42	- 5,562
Intergovernmental	57,522	60,141	7,510	-	-	-	- 166,129
Charges for service	58,117	-	-	-	-	-	- 58,117
Miscellaneous	33,631	-	-	-	453	733	- 34,817
Total receipts	278,760	60,141	7,510	24,836	41,409	775	87,869 501,300
Disbursements:							
Operating:							
Public safety	59,858	-	349,703	-	-	-	- 409,561
Public works	53,522	59,127	-	-	-	-	- 9,083 123,732
Culture and recreation	105,650	-	-	-	-	-	- 15,609 121,259
Community and economic development	1,144	-	-	-	-	-	- 1,144
General government	51,864	-	-	161,670	-	-	- 7,840 59,704
Debt service	-	-	-	-	115,602	-	- 161,670 115,602
Capital projects	274,038	59,127	349,703	161,670	115,602	-	32,532 992,672
Total disbursements	4,722	1,014	(342,193)	(136,834)	(74,193)	775	55,337 (491,372)
Excess (deficiency) of receipts over (under) disbursements	-	-	-	610,000	-	-	- 610,000
Other financing sources (uses):							
Bond proceeds	52,000	-	317,760	-	-	-	- 369,760
Operating transfers in	-	-	-	(467,061)	-	-	- (52,000) (519,061)
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	52,000	-	317,760	142,939	-	-	(52,000) 460,699
Change in cash balances	56,722	1,014	(24,433)	6,105	(74,193)	775	3,337 (30,673)
Cash balances beginning of year	175,541	22,053	11,459	(149,208)	30,542	40,006	5,858 136,231
Cash balances end of year	\$ 232,263	23,067	(12,994)	(143,103)	(43,651)	40,781	9,195 105,558

(continued)

Exhibit B  
(continued)

CITY OF HOPKINTON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2013

	General	Special Revenue			Debt Service	Capital Projects	Permanent Cemetery Perpetual Care		Normal or	Total
		Road Use Tax	Emergency Management				Cemetery Perpetual Care			
Cash Basis Fund Balances										
Nonspendable-Cemetery perpetual care	-	-	-	-	-	-	40,781	-	-	40,781
Restricted for:										
Streets	-	23,067	-	-	-	-	-	-	-	23,067
Library	12,500	-	-	-	-	-	-	-	-	12,500
Other purposes	-	-	-	-	-	-	-	-	12,516	12,516
Committed for fire department	16,694	-	-	-	-	-	-	-	-	16,694
Unassigned	203,069	-	(12,994)	-	(143,103)	(43,651)	-	(3,321)	-	-
Total cash basis fund balances	\$ 232,263	23,067	(12,994)	(143,103)	(43,651)	40,781	9,195	105,558		

See notes to financial statements.

CITY OF HOPKINTON  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 PROPRIETARY FUND  
 As of and for the Year Ended June 30, 2013

	<u>Enterprise</u>
	<u>Sewer</u>
Operating receipts:	
Charges for service	\$ 182,771
Operating disbursements:	
Business type activities	<u>131,664</u>
Excess of operating receipts over operating	
disbursements	51,107
Non-operating disbursements	
Debt service	<u>(195,194)</u>
Deficiency of receipts under disbursements	(144,087)
Transfers in	<u>149,301</u>
Change in cash balance	5,214
Cash balance beginning of year	<u>151,078</u>
Cash balance end of year	<u><u>\$ 156,292</u></u>
 Cash Basis Fund Balances	
Unrestricted	<u><u>\$ 156,292</u></u>

See notes to financial statements.

# CITY OF HOPKINTON

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

### (1) Summary of Significant Accounting Policies

The City of Hopkinton is a political subdivision of the State of Iowa located in Delaware County. It was first incorporated in 1874 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides sewer, utilities for its citizens.

#### A. Reporting Entity

For financial reporting purposes, the City of Hopkinton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and [1] the ability of the City to impose its will on that organization or [2] the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has one component unit which meets the Governmental Accounting Standards Board criteria.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Hopkinton Municipal Utilities (HMU)	Created in 1938 to finance, develop and operate the electric and water activities of the City. The HMU is composed of three members appointed by the City Council.

The HMU issues a publicly available audited financial report that includes financial statements and required supplementary information. The report may be

obtained by writing to: Hopkinton Municipal Utilities; P.O. Box 129; Hopkinton, Iowa 52237-0129.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Delaware County Solid Waste Commission, Delaware County Joint E911 Service Board and the Monticello Ambulance Board.

#### B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component unit (Hopkinton Municipal Utilities) are reported as if they were external transactions and are classified separately from internal transactions within the primary government.

The Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund..

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1] charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2] grants, contributions and interest on investments restricted to meeting the

operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Emergency Management Fund is used to account for grant proceeds from the federal government and the State of Iowa to be used to repair flood damage to the wastewater treatment plant.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for grant proceeds from the federal government and the State of Iowa to be used to implement a buy-out program related to the 2010 flood.

The Permanent, Cemetery Perpetual Care Fund is used to account for the sale of cemetery lots and earnings on investments.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statement, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling state legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the City Council through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or

changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

(2) **Cash**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds Payable**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 60,000	7,170
2015	55,000	6,840
2016	55,000	6,428



2017	55,000	6,015
2018	55,000	5,437
2019-2023	225,000	16,760
2024	45,000	900
Total	<u>\$ 550,000</u>	<u>49,550</u>

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan member and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS; P.O. Box 9117; Des Moines, Iowa 50306-9117

Regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2013 were \$ 7,877, equal to the required contributions for the year. The Hopkinton Municipal Utilities' contributions to IPERS for the year ended June 30, 2013 were \$ 10,702, equal to the required contributions for the year.

**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and no retired members in the plan. Participants must be 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with True North. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The Hopkinton Municipal Utilities (HMU) operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 3 active and no retired members in the plan. Participants must be 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with True North. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City and HMU. The City and HMU currently finance the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 466 for single coverage and \$ 1,285 for family coverage. For the year ended June 30, 2013, the City contributed \$ 16,907 and plan members eligible for benefits contributed \$ 2,826. The most recent active member monthly premiums for HMU and plan members are \$ 466 for single coverage. For the year ended June 30, 2013, HMU contributed \$ 15,918 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2013, primarily related to the General Fund, is \$ 3,300. This liability has been computed based on rates of pay in effect at June 30, 2013.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 52,000
Special Revenue:		
Emergency Management	Debt Service	317,760
Enterprise:		
Sewer	Debt Service	<u>149,301</u>
Total		<u>\$ 519,061</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$ 2,810 for the year ended June 30, 2013.

The City had business transactions with Hopkinton Municipal Utilities totaling \$ 72,720, which included electricity and water purchases of \$ 29,536, collection services of \$ 2,520, wastewater treatment plant maintenance agreement payments of \$ 30,000, and repayment of a loan totaling \$ 10,664.

The Hopkinton Municipal Utilities had business transactions between Utility and Utility officials totaling \$ 5,624.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage in the past fiscal year.

**(10) Deficit Balances**

The Special Revenue, Emergency Management and Employee Benefits Funds; the Debt Service Fund and the Capital Projects Fund had deficit balances of \$ 12,944; \$ 3,321, \$ 143,103 and \$ 43,651, respectively, at June 30, 2013.

The Special Revenue, Emergency Management Fund deficit balance was a result of disbursements to repair flood damage to the wastewater treatment plant. The City has protested the FEMA decision on what repairs to fund. If the City's protest is unsuccessful, the deficit will be eliminated with a transfer from the Enterprise, Sewer Fund.

The Special Revenue, Employee Benefits Fund deficit will be eliminated with future property tax receipts.

The Debt Service Fund deficit was a result of mistakenly not levying for the general obligation sewer improvement note retirement between 2005 through 2010. The deficit will be eliminated over the next several years with a debt service levy.

The Capital Projects Fund deficit balance was a result of project costs incurred prior to the availability of funds. The deficit will be eliminated upon receipt of federal and state grants.

## **OTHER INFORMATION**

CITY OF HOPKINTON  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES-  
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL FUNDS,  
PROPRIETARY FUND AND DISCREETLY PRESENTED COMPONENT UNIT  
OTHER INFORMATION  
Year Ended June 30, 2013.

	Governmental Funds		Proprietary Fund		Discretely Presented Component Unit	Total		Budgeted Amounts		Final to Total Variance
	Actual		Actual					Original	Final	
<b>Receipts:</b>										
Property tax	\$ 178,665	-	-	-	-	178,665	176,160	176,160	2,505	
Other city tax	55,372	-	-	-	-	55,372	53,485	53,485	1,887	
Licenses and permits	2,638	-	-	-	-	2,638	1,965	1,965	673	
Use of money and property	5,562	-	-	1,892	-	7,454	4,885	4,885	2,569	
Intergovernmental	166,129	-	-	-	-	166,129	296,626	296,626	(130,497)	
Charges for service	58,117	182,771	-	-	-	1,171,212	1,257,326	1,257,326	(86,114)	
Miscellaneous	34,817	-	-	-	3,625	38,442	13,450	148,500	(110,058)	
<b>Total receipts</b>	<b>501,300</b>	<b>182,771</b>	<b>-</b>	<b>-</b>	<b>935,841</b>	<b>1,619,912</b>	<b>1,803,897</b>	<b>1,938,947</b>	<b>(319,035)</b>	
<b>Disbursements:</b>										
Public safety	409,561	-	-	-	-	409,561	58,824	527,795	118,234	
Public works	123,732	-	-	-	-	123,732	132,501	133,701	9,969	
Culture and recreation	121,259	-	-	-	-	121,259	120,392	121,292	33	
Community and economic development	1,144	-	-	-	-	1,144	2,500	2,500	1,356	
General government	59,704	-	-	-	-	59,704	59,670	65,670	5,966	
Debt service	161,670	-	-	-	-	161,670	24,653	157,734	(3,936)	
Capital projects	115,602	-	-	-	-	115,602	193,680	193,690	78,088	
Business type activities	-	326,838	-	-	-	326,838	1,193,792	1,354,205	40,763	
<b>Total disbursements</b>	<b>992,672</b>	<b>326,838</b>	<b>-</b>	<b>-</b>	<b>986,584</b>	<b>2,306,114</b>	<b>1,786,022</b>	<b>2,550,587</b>	<b>250,473</b>	
Excess (deficiency) of receipts over (under) disbursements	(491,372)	(144,087)	-	-	(50,743)	(686,202)	17,875	(617,640)	(68,562)	
Other financing sources, net	460,699	149,301	-	-	10,558	620,558	-	613,384	7,174	
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(30,673)	5,214	-	-	(40,185)	(65,644)	17,875	(4,256)	(61,388)	
Balances beginning of year	136,231	151,078	-	-	392,261	679,570	610,149	610,149	69,421	
Balances end of year	\$ 105,558	\$ 156,292	-	-	\$ 352,076	\$ 613,926	\$ 628,024	\$ 605,893	\$ 8,033	

See accompanying independent auditor's report and notes to other information budgetary reporting.

## CITY OF HOPKINTON

### Notes to Other Information - Budgetary Reporting

June 30, 2013

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Additionally, the City has elected to include its discretely presented component unit, Hopkinton Municipal Utilities, in its budget process.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2013, one budget amendment increased budgeted disbursements by \$ 770,565. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

## **SUPPLEMENTARY INFORMATION**

CITY OF HOPKINTON  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of and for the Year Ended June 30, 2013

	<u>Special Revenue</u>		
	Employee	Local Option Sales Tax	Total
	Benefits		
Receipts:			
Property tax	\$ 32,497	-	32,497
Other city tax	-	55,372	55,372
Total receipts	32,497	55,372	87,869
Disbursements:			
Operating:			
Public works	9,083	-	9,083
Culture and recreation	15,609	-	15,609
General government	7,840	-	7,840
Total disbursements	32,532	-	32,532
Excess (deficiency) of receipts over (under) disbursements	(35)	55,372	55,337
Other financing uses:			
Operating transfers out	-	(52,000)	(52,000)
Change in cash balances	(35)	3,372	3,337
Cash balances beginning of year	(3,286)	9,144	5,858
Cash balances end of year	\$ (3,321)	12,516	9,195
Cash Basis Fund Balances			
Restricted for other purposes	\$ -	12,516	12,516
Unassigned	(3,321)	-	(3,321)
Total cash basis fund balances	\$ (3,321)	12,516	9,195

See accompanying independent auditor's report.



CITY OF HOPKINTON  
SCHEDULE OF INDEBTEDNESS  
Year Ended June 30, 2013

Schedule 2

Obligation:	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
<b>General obligation bonds:</b>								
Sewer improvement and refunding	Sep 25, 2012	0.55-2.00%	\$ 610,000	-	610,000	60,000	550,000	5,125
<b>General obligation notes:</b>								
Sewer improvement	Oct 21, 2004	4.25%	\$ 285,000	133,000	-	133,000	-	1,835
Wastewater treatment plant flood repair	Aug 27, 2010	3.95	424,933	330,391	-	330,391	-	11,942
				\$ 463,391	-	463,391	-	13,777
<b>General obligation loan:</b>								
Cash flow	Jul 22, 2009	4.00%	\$ 120,000	10,558	-	10,558	-	106
<b>Revenue notes:</b>								
Sewer improvement	Oct 21, 2004	4.25%	\$ 300,000	140,000	-	140,000	-	1,931

See accompanying independent auditor's report.

CITY OF HOPKINTON  
BOND MATURITIES  
June 30, 2013

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Sewer Improvement and Refunding</u>	
	<u>Issued Sep 25, 2012</u>	
	Interest Rates	Amount
2014	0.55%	\$ 60,000
2015	0.75	55,000
2016	0.75	55,000
2017	1.05	55,000
2018	1.05	55,000
2019	1.60	55,000
2020	1.60	35,000
2021	1.60	45,000
2022	2.00	45,000
2023	2.00	45,000
2024	2.00	<u>45,000</u>
Total		<u>\$ 550,000</u>

See accompanying independent auditor's report.

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hopkinton, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated August 16, 2013. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hopkinton's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hopkinton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hopkinton's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings,

we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hopkinton's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### City of Hopkinton's Responses to Findings

The City of Hopkinton's responses to findings in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Hopkinton's responses and, accordingly, we express no opinion on them.

#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral

part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Hopkinton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

August 16, 2013



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

CITY OF HOPKINTON  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

**SIGNIFICANT DEFICIENCIES:**

I-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted substantially all accounting functions are performed by one individual.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances. For instance, a City official could receive and then review bank statements before giving them to the individual responsible for account reconciliations.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize elected officials whenever possible to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF HOPKINTON  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed budget.

Response - In the future we will amend the budget in compliance with the Code of Iowa, if applicable.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-13 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions - Business Transactions between the City and City officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Cathy Harris, Mayor, employee Of Leader Publications	Legal publications and advertising	\$ 2,810
Richard Harris, Vice Chair- Person, Hopkinton Municipal Utilities, Owner of Harris Electric Service	Repairs	5,624

CITY OF HOPKINTON  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

In accordance with Chapter 362.5(3)(f) of the Code of Iowa, the transactions with Leader Publications do not appear to represent a conflict of interest since it involves the designation of an official newspaper. However, the transactions between the Hopkinton Municipal Utilities and Harris Electric Service may represent a conflict of interest as the transactions do not appear to meet any of the safe harbor provision of Chapter 362.5.

Recommendation - The City should inform the Municipal Utilities of this matter.

Response - The matter was noted in the Hopkinton Municipal Utilities audit.

Conclusion - Response accepted.

II-E-13 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-13 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-13 Payment of General Obligation Notes - Certain general obligation bonds were paid from either the Special Revenue, Emergency Management Fund or Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part, "Money pledged or available to service general obligation notes and received from other than property tax must be deposited in the debt service fund."

Recommendation - The City should transfer from the Special Revenue, Emergency Management Fund or Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payment of the notes should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.



CITY OF HOPKINTON  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

II-I-13 Financial Condition - The Special Revenue, Emergency Management and Employee Benefits Funds; the Debt Service Fund and the Capital Projects Fund had deficit balances of \$ 12,944, \$ 3,321, \$ 143,103, and \$ 43,651, respectively, at June 30, 2013

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to sound financial positions.

Response - The City has addressed all four deficits and three should be eliminated by June 30, 2014.

Conclusion - Response accepted.

II-J-13 Form 1099 Compliance - We noted a vendor to whom a 1099 should have been issued, but was not.

Recommendation - Vendor lists should be reviewed in January when preparing 1099's.

Response - We will do this.

Conclusion - Response accepted.